

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BSB 3314 – SEMINAR IN BANKING

(All Sections / Groups)

7 March 2016
2.30 p.m- 4.30 p.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 4 pages (including front page) with **FOUR (4)** Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

Question 1

- (a) If the Bank Negara Malaysia prints money to reduce unemployment, what will happen to the value of Ringgit in the short run and long run? (12 marks)
- (b) List down FOUR (4) objectives of Bank Negara Malaysia (8 marks)
- (c) List down FIVE (5) money market instruments (5 marks)

(Total: 25 marks)

Question 2

- (a) You pay RM995.37 for a 28-day T-bill. It is worth RM1,000 at maturity. What is its discount rate and annualized yield? (6 marks)
- (b) Regulators use the CAMELS system to analyze bank risk. What does CAMELS stand for and what financial ratios might best capture each factor? (12 marks)
- (c) Discuss the differences between debt securities and equity securities. (7 marks)

(Total: 25 marks)

Continued...

Question 3

a) The directors of CIMC bank is very anxious on the level of their bank competitiveness as newer banks surge in the market and change in bank legislations that allows financial institutions to offer variety of banking products. As a manager you are required to evaluate the performance and the prospect of CIMC Bank based on the following ratios:

CIMC Bank	
Balance Sheet	
Assets	
Cash and due from banks	RM 175
Investments	RM 400
Federal Funds	RM 18
Loan	RM 402
Premises	RM 105
Average Total Assets	RM1100
Liabilities and Equity	
Demand Deposits	RM 150
Time Deposits	RM 325
Federal funds	RM 425
Equity	RM 200
Average Total Liabilities and Equity	RM 1,100
Income Statement	
Interest Income	RM 250
Interest Expense	RM 210
Non Interest Income	RM 11
Non Interest Expense	RM 38
Net Income	RM 13

Continued...

- i) Return on Equity (3 marks)
- ii) Net Interest Margin (4 marks)
- iii) Earnings Base (4 marks)
- iv) Burden (4 marks)
- v) Efficiency Ratio (4 marks)

b) Explain the meaning of the following terms:

- i) Capital (3 marks)
- ii) Collateral (3 marks)

(Total: 25 marks)

Question 4

a) You are currently evaluating some of the commercial loan requests of the credit sections of your bank. Explain how the following situations define the character of the borrower and quality of information provided?

- i) There is a growing trend of customer complaints to the business bureau of complaints. (4 marks)
- ii) There is strong family connection and several members of the family work for the business. (4 marks)
- iii) The use of significant off balance sheet entities and intercompany partnership. (4 marks)

b) The drastic increase in the number of defaults and foreclosures on subprime mortgages beginning in 2006 led to a subprime mortgage crisis. This is due to the complex repackaging of subprime mortgages into complex investments which has contributed to the financial meltdown in 2008.

- i) Describe the characteristics of the borrower in a subprime consumer loan. (7 marks)
- ii) Subprime loans have higher loss rates than many other types of loans. Give explanations. (6 marks)

(Total: 25 marks)

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